

IRS Fact Sheet

Media Relations Office

Washington, D.C.

Media Contact: 202.622.4000

www.irs.gov/newsroom

Public Contact: 800.829.1040

E-Payment Options for 2004

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Individuals can pay taxes electronically by authorizing an electronic funds withdrawal from a checking or savings account or by using a credit card. These e-payment options can be used to:

- pay taxes owed on a 2003 income tax return.
- pay projected tax due when requesting an automatic extension of time to file.
- pay estimated taxes for Tax Year 2004.

In addition to the above tax payments, credit cards can be used to pay taxes owed on prior tax year 2002 returns as well as to make a payment on an active Installment Agreement for past due tax owed for tax years 2000 and after.

The IRS has entered into partnerships with private industry, including tax preparation software developers and credit card processors, to make these electronic payment options available.

- More than 1.2 million people paid their federal taxes by electronic funds withdrawal or credit card during 2003, up from 750,000 last year, a 60 percent increase over the prior year.

Electronic Funds Withdrawal

Electronic funds withdrawal is free and the taxpayer decides when the tax payment is withdrawn from the bank account. Electronic funds withdrawal is only available to those who e-file, either by computer or by phone. A taxpayer may e-file early and, at the same time, schedule the withdrawal as late as April 15, 2004. For returns filed after April 15, the payment is effective on the filing date. A 2004 estimated tax payment can be made through electronic funds withdrawal only when filing a 2003 tax return via computer, whether or not there is a balance due on the return. The estimated tax payment may be the one due in April, June or September. Only one estimated tax payment can be made through electronic funds withdrawal. This payment cannot be made by phone.

- In 2003, 629,076 taxpayers paid their taxes through electronic funds withdrawal, an increase of 48 percent over the prior year.

Credit Card Payments

Taxpayers can make credit card payments whether they file electronically or file a paper return. Credit Card payments can be submitted via tax software when filing electronically. Credit Card payments can also be made over the telephone and Internet.

- In 2003, 559,566 taxpayers paid by credit card, an increase of 78 percent over the prior year.

The IRS does not set or collect any fees for credit card payments, but the private sector companies the IRS has authorized to process these payments do impose convenience fees. The tax payment sent to the U. S. Treasury and the convenience fee are listed separately on the cardholder's credit card statement.

Some tax software developers offer integrated e-file and e-pay combinations for those who want to pay a balance due with a credit card. The software accepts both the electronic tax return and the credit card information. Subsequently, the tax return and tax payment data are forwarded to the IRS and the credit card data is forwarded to the payment processor.

For the 2004 filing season, the IRS has authorized two companies to accept credit card charges from both electronic and paper filers. Each offers both phone and Internet payment services. Anyone may use these services to charge taxes to an American Express Card, Discover Card, MasterCard or Visa account.. Fees may vary by service provider.

Business taxpayers can check with their software provider or tax professional for information on electronically filing balance due returns (such as employment, fiduciary and corporate returns) and paying the amount owed by electronic funds withdrawal.

Electronic Federal Tax Payment System

The Electronic Federal Tax Payment System (EFTPS) offers another way for taxpayers to pay Federal taxes. EFTPS is a free service, available year round to individual and business taxpayers. Once enrolled, taxpayers can schedule one-time or recurring electronic withdrawal payments such as estimated tax payments and installment agreement payments. For additional information, visit www.eftps.gov.

The "IRS e-file" section of the IRS Web site – www.irs.gov – has more information about IRS e-file, the self-select PIN, private sector partnerships and electronic payments – just click on the IRS e-file logo.